

Southern Coal Corporation-Kentucky Fuel Corporation-E3-RF Mine

Target Drilling Inc.

Cost Estimate for Directional Drilling One (1) and One (1) Branch Abandon Mine Verification (AMV)

Approximate Length of the Borehole - Hole # 1 (~1005' drilling length) with ~ 2356 ft Branch including plugging ~1000' ft of hole

TARGET DRILLING DOES NOT GUARANTEE THAT THE DESIRED BOREHOLE HORIZONTAL DEPTHS WILL BE ACHIEVED

This proposal is strictly an estimate of units and costs. Target Drilling does not guarantee these costs to complete the well.

3/30/2013

Page 1 of 2 - THE PROPOSAL BILLING CATEGORIES BELOW ARE SUBJECT TO THE TERMS AND CONDITIONS INDICATED ON PAGE 2

EXHIBIT

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Item	Estimated Quantity	Unit Price	Unit	Estimated Extended Price	Estimated Subtotal	Comments
1.1 Mobilization/Demobilization						
Mobilization	2.00	\$2,200.00 Per Trip		\$4,400.00	\$8,800.00	Per mobilization of each load,
Demobilization	2.00	\$2,200.00 Per Trip		\$4,400.00		Per demobilization of each load
1.2 Drilling					\$11,728.00	
Coal Drilling	4,192	\$2.75 Foot		\$11,528.00		Includes all main borehole, lateral and estimated sidetrack footage (Sidetracks estimated at 35%).
Rock Drilling per foot (3-3/4-inches dia)	0	\$5.00 Foot		\$0.00		
Reaming Coal/Rock 3 3/4" to 7 1/2" for collarpipe	20	\$10.00 Foot		\$200.00		To set 20 ft of collar pipe to help test collar pipe to 50 psi.
1.3 Labor					\$30,600.00	
Drilling - Drill Operator Rate	120.00	\$85.00 Per hour		\$10,200.00		All drilling, reaming, and fishing operations.
Drilling - Operator Helper	120.00	\$65.00 Per hour		\$7,800.00		All drilling, reaming, and fishing operations.
Non-Drilling - Drill Operator Rate	48.00	\$85.00 Per hour		\$4,080.00		Set up/tear down, collarpipe installation, tripping, circulating, grouting borehole, mixing mud, etc.
Non-Drilling - Operator Helper	48.00	\$65.00 Per hour		\$3,120.00		Set up/tear down, collarpipe installation, tripping, circulating, grouting borehole, mixing mud, etc.
Standby/Downtime - Drill Operator Rate	36.00	\$85.00 Per hour		\$3,060.00		All mine delays, standby time, travel time & waiting-on-cement.
Standby/Downtime - Operator Helper	36.00	\$65.00 Per hour		\$2,340.00		All mine delays, standby time, travel time & waiting-on-cement.
1.4 Equipment Charges					\$21,400.00	

Drill - Operating Time	168.00	\$90.00 Per hour	\$15,120.00	Set ups, installing collarpipes, drilling, circulating, tripping rods, fishing, grouting borehole, mixing mud, etc.
Drill- Standby Time	36.00	\$80.00 Per hour	\$2,880.00	All mine delays, standby time, travel time & waiting-on-cement.
Lost In Hole Equipment and Charges	8.00	\$425.00 Per Day	\$3,400.00	Lost in hole insurance - Southern Coal Company liable for \$25,000 deductible if anything lost in twice.
1.5 Consumable Supplies	1.00	\$750.00 Each	\$750.00	
20 ft 4" (Steel & PVC) Collarpipe, Valve & Fittings	2.00	\$35.00 Buckets	\$70.00	
Hydraulic Cement	80.00	\$14.00 Bags	\$1,120.00	
Ordinary Portland Cement	2.00	\$450.00 5 gallon	\$900.00	For grouting the collarpipe and borehole.
Single Component Polyurethane Grout	0.00	Cost + 15% Each	\$0.00	
Sediment bag (if necessary)	2.00	\$150.00 Each	\$300.00	Used to Plug Hole if old works is encountered
4" Pig	0.00	\$1,250.00 Each	\$0.00	
4" inflatable packer	1.00	\$250.00 Each	\$250.00	
Certified Drilling Drawings	1.00		\$7,480.00	
1.6 Drill Bits	1.00	\$2,580.00 Each	\$2,580.00	
3-3/4" PDE-drill-bit	0.20	\$4,500.00 Each	\$900.00	
Nominal 7 1/2" Hole Opener	1.00	\$2,900.00 Each	\$2,900.00	
Inspection of DHM, rebuild, u-joint, and bearing pkg.	1.00	\$1,100.00 Each	\$1,100.00	
Downhole battery for survey tool	54.00	\$85.00 Man-Day	\$4,590.00	
1.7 Travel	54.00	\$85.00 Man-Day	\$4,590.00	
Hotels	54.00	\$50.00 Man-Day	\$2,700.00	
Labor Mobilization/Demobilization and fuel surcharge				
Meals				
Total - Horizontal Drilling			\$95,278.00	

Agreed to and Accepted By:

Printed Name:

Steve Ball

Company Name and Title:

Justice Corporation - Director of Operations

Date Signed:

4/15/13

Purchase Order Number:

KU1140

Southern Coal Corporation-Kentucky Fuel Corporation-E3-RF Mine

Target Drilling Inc.

**Cost Estimate for Directional Drilling One (1) and One (1) Branch Abandon Mine Verification (AMV)
March 30, 2013**

Target Drilling to provide:

- 1) Permissible electric powered drill rig.
- 2) Permissible survey tool, downhole motor, drill bits and reamers.
- 3) Wellhead control materials & supplies.
- 4) Two-man experienced crew to perform the work safely & efficiently. Work to be performed one to three 8-hour shifts per day
- 5) Borehole plots (in DWG file) and P.E. Certified Drawings as a permanent record of the borehole.
- 6) General Liability, WC, & Auto Liability Insurance.
- 7) Daily cost updates and weekly invoices to Kentucky Fuel Corporation.
- 8) Will perform 20 minute gas checks at the drill site with Mine-supplied spotter.

Mine to provide:

- 1) Any firebossing, pre-shift, and on-shift examinations that may be necessary.
- 2) Clean water source at 70 gpm to the drill rig.
- 3) Surveying Target's initial setup to establish magnetic declination.
- 4) Loading & unloading Target's equipment at the drill site.
- 5) Transportation of drilling equipment into & out of the mine.
- 6) Provide any required site specific safety training.
- 7) Security for Target's equipment while on Company property.
- 8) Clean water to drill at 70 gpm or suitable sump and pump for recirculating water.
- 9) SCSR's if necessary.

Terms and Conditions

- 1) ~~Payment terms: Payment due before Target Drilling provides surveyed borehole data to ve~~
results. In any case, payment is due within 15 days from weekly progress invoice.
- 2) Target Drilling will progress Invoice weekly
- 3) Prices quoted here are valid for SIXTY (60) days from the date of the estimate.

- 4) Target Drilling reserves the right to terminate any borehole if the ground is unstable.
- 5) Any drill rods, bits, motors, survey tool, or subs lost in the hole, for any reason beyond Target's control will be billed at replacement cost unless lost in hole insurance elected.
If lost in hole insurance elected, client agrees to pay the larger \$25,000 deductible.
- 6) Quantities in the proposal are estimates only and based upon the best available information at the time of bid preparation.
- 7) Invoices are based upon actual quantities consumed or performed.
- 8) Target Drilling invoices for all actual footage drilled.
Sidetrack Footage is billed at the Footage Rate. Sidetracks are defined as the portion of the borehole that is abandoned when the bit is pulled after exiting the coal and encountering rock, such as the typical roof & floor intercepts. Laterals are billed at the Footage Rate. Laterals are defined as the portion of the borehole that has to be re-drilled if the borehole must be re-directed laterally, for reasons such as intercepting an abandoned mine, loss of circulation, geological anomalies or adverse hole conditions.
Target Drilling cannot guarantee the depth of any borehole. Geological factors such as faults, partings, intrusions, and lack of mechanical strength can all affect the ability to drill to the desired depth.
- 9) Kentucky Fuel Corporation agrees to fully indemnify and hold harmless Target Drilling from any claims resulting or arising from this work
- 10) [REDACTED]
- 11) [REDACTED]
- 12) This Agreement shall be governed by, construed, and interpreted in accordance with the applicable laws of the State of Pennsylvania. Executive jurisdiction over any case or controversy arising under this agreement shall be vested in any appropriate state and/or federal district court located in Pittsburgh, Pennsylvania.

Above Terms & Conditions are agreed to & accepted by:

Signature: _____

Printed Name: _____

Steve Ball

Title: Director of Operations

Date Signed: _____

4/15/13

Purchase Order Number: _____

KU1140

Target Drilling Inc.
1112 Glacier Dr.
Smithton, PA 15479
Phone: (724) 633-3929
Fax: (724) 872-1203

INVOICE# - 245-001A

Date: May 14, 2013
Due: June 12, 2013

Bill to: Southern Coal Corp / KY Fuels Division
302 S. Jefferson St.
Roanoke, VA 24011

Please ACH EFT Payment to:
Target Drilling Inc.
First Commonwealth Bank
803 South Center Ave.
Hunker, PA 15639
Attn: Christa Griffith
Acc.#7300306334 / ABA#043306826

Attn: Accounts Payable

Terms	Project
Net 60 Days	AMV

Item	Actual Quantity	Unit Price	Unit	Actual Extended Price	Actual Subtotal
1.1 Mobilization/Demobilization					\$8,800.00
Mobilization	2.00	\$2,200.00	Per Trip	\$4,400.00	
Demobilization	2.00	\$2,200.00	Per Trip	\$4,400.00	
1.2 Drilling					\$13,826.25
Coal Drilling per foot (3.75")	4,955	\$2.75	Foot	\$13,626.25	
Rock Drilling per foot (3.75")	0	\$5.00	Foot	\$0.00	
Opening hole to 7.5"	20	\$10.00	Foot	\$200.00	
1.3 Labor					\$35,925.00
Drilling - Drill Operator Rate	124.62	\$85.00	Per hour	\$10,592.70	
Drilling - Operator Helper	124.62	\$65.00	Per hour	\$8,100.30	
Drilling - Supervisor (if required)	0.00	\$0.00	Per hour	\$0.00	
Non-Drilling - Drill Operator Rate	35.75	\$85.00	Per hour	\$3,038.75	
Non-Drilling - Operator Helper	35.75	\$65.00	Per hour	\$2,323.75	
Non-Drilling - Supervisor (if required)	0.00	\$0.00	Per hour	\$0.00	
Standby/Downtime - Drill Operator Rate	79.13	\$85.00	Per hour	\$6,726.05	
Standby/Downtime - Operator Helper	79.13	\$65.00	Per hour	\$5,143.45	
Standby/Downtime - Supervisor (if required)	0.00	\$0.00	Per hour	\$0.00	
1.4 Equipment Charges					\$26,317.60
Operating Time	156.76	\$90.00	Per hour	\$14,108.40	
Standby Time	78.24	\$80.00	Per hour	\$6,259.20	
Lost in hole insurance	14.00	\$425.00	Per Day	\$5,950.00	
1.5 Consumable Supplies					\$2,790.00
20' of 4" collarpipe, valve and fittings	1.00	\$750.00	Each	\$750.00	
Hydraulic Cement	2.00	\$35.00	Bucket	\$70.00	
Portland Cement	80.00	\$14.00	Bag	\$1,120.00	
4" pig	1.00	\$150.00	Each	\$150.00	
Certified Drawings	1.00	\$250.00	Each	\$250.00	
Sediment Bag	0.00	\$175.00	Each	\$0.00	
Single Component Poly	1.00	\$450.00	5 gallon	\$450.00	
1.6 Drill Bits					\$10,060.00
3 3/4" PDC drill bit	2.00	\$2,580.00	Each	\$5,160.00	
Inspection of DHM, rebuild, u-joint, and bearing pkg.	1.00	\$2,900.00	Each	\$2,900.00	
7 1/2" hole opener	0.20	\$4,500.00	Each	\$900.00	
Downhole battery for survey tool	1.00	\$1,100.00	Each	\$1,100.00	
1.7 Travel					\$12,760.00
Hotels	58.00	\$85.00	Man-Day	\$4,930.00	
Meals	58.00	\$50.00	Man-Day	\$2,900.00	
Labor Mobilization	58.00	\$85.00	Man-Day	\$4,930.00	

Total - Horizontal Drilling

\$110,478.85

Project Total

\$110,478.85

